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BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
OF THE STATE OF CALIFORNIA

In the Matter of:	)	NMLS ID NO.: 1272302
	)	
THE COMMISSIONER OF BUSINESS	)	
OVERSIGHT,	)	ORDER DENYING MORTGAGE LOAN
	)	ORIGINATOR LICENSE APPLICATION
Complainant,	)	
v.	)	
	)	
KAREN J. VARLEY aka KAREN JANNETTE	)	
ROADY, as an individual,	)	
	)	
Respondent.	)	
	)	

The Commissioner of Business Oversight (Commissioner) finds that:

1. On or about November 15, 2017, Karen J. Varley aka Karen Jannette Rody (Varley) filed an application for a mortgage loan originator license with the Commissioner by submitting a Form MU4 (MU4) through the Nationwide Multistate Licensing System (NMLS).
2. Varley's MU4 dated November 11, 2017 showed that she was licensed by the California Bureau of Real Estate<sup>1</sup> (BRE) as a real estate sales agent but had surrendered her license

<sup>1</sup> Formerly known as the California Department of Real Estate.

1 on July 7, 2009. Varley stated that she surrendered her license due to her health, but she did not  
2 provide any supporting documentations.

3 3. Varley answered “No” to Question (K) (9) on her MU4 that asked: Has any State or  
4 federal regulatory agency or foreign financial regulatory authority or self-regulatory organization  
5 (SRO) ever entered an order concerning you in connection with any license or registration.

6 4. Contrary to Varley’s response to Question (K) (9), Varley’s history on the BRE Public  
7 License Information website revealed that the BRE filed a disciplinary action against her on  
8 September 22, 2008<sup>2</sup>, and a day before the court proceedings, Varley surrendered her BRE license.  
9 The BRE issued an Accusation against Varley, among others, for entering and participating in a  
10 fraudulent plan or scheme to use deceit and misrepresentation to induce mortgage lenders to make  
11 mortgage loans to finance purchases of residential real property with the intent to substantially  
12 benefit themselves and without disclosing their true intentions to the mortgage lenders. Varley  
13 purportedly would earn commissions and/or fees by originating three different mortgage loans to  
14 Varley’s parents (the Amorosos) to finance the purchase of three different residences and concealed  
15 the other two purchases and loans from each lender. It appears Varley falsely represented to the other  
16 two lenders that the buyer, the Amorosos, intended to occupy the property securing the loans as their  
17 primary residence.

18 5. On July 7, 2009, Varley surrendered her BRE license. The BRE surrender was granted  
19 on July 31, 2009, effective August 27, 2009.

20 6. On July 8, 2009, an administrative hearing<sup>3</sup> was held in connection with the  
21 Accusation issued by the BRE. At the commencement of the hearing, counsel for the BRE stated that  
22 “Varley has surrendered her license and that she is no longer a respondent in this case.” Nevertheless,  
23 the administrative court found that Varley and the Amorosos, in the three transactions described in  
24 the BRE’s Accusation, falsely represented to the lenders that the Amorosos intended to occupy each  
25 of the properties as their principal residence to induce the lenders to make mortgage loans secured by  
26

27 <sup>2</sup> In the Matter of the Accusation of III Create, Inc., a California Corporation, David George Gravelle and Karen Jannette  
28 Varley, H-10528 SF.

<sup>3</sup> OAH Case No. 2009050235.

the properties, to the financial benefit of Varley and/or her family. The court found that “[t]he Amorosos never occupied any of the three properties they purchased.” Moreover, “[t]he Amorosos could not have intended to occupy all three properties, purchased within months of one another, as their principal residence. Furthermore, the court also found that the Amorosos and Varley realized significant financial benefits on each transaction. Each of the transactions involved a purchase price greater than the listing price, 100 percent or close to 100 percent financing, and a large credit back to the buyers.

7. On December 1, 2017, the Department instructed Varley, through NMLS, to amend her MU4 as to her response to the regulatory action disclosure question pertaining to her BRE license and to include an explanation of the circumstances, and to provide copies of any relevant documents.

8. On or about December 4, 2017, Varley submitted through NMLS an amended MU4. The amended application included a changed response to disclosure item (K)(9), which went from “No” to “Yes” in response to the prompt that asked if the applicant had “any State or federal regulatory agency or foreign financial regulatory authority or self-regulatory organization (SRO) ever entered an order” concerning the applicant. In her amended MU4, Varley also included an electronic version of the BRE’s Accusation. With respect to the BRE’s administrative action against her, Varley explained that no charges were brought forth concerning the BRE Accusation and she surrendered her BRE license due to her health issues. In addition, Varley also changed her response to disclosure item (Q)(2) from “No” to “Yes” to the prompt that asked if the applicant had “ever voluntarily resigned, been discharged, or permitted to resign after allegations were made that accused” the applicant of “fraud, dishonesty, theft, or the wrongful taking of property.” In her amended MU4, Varley referenced her health issues relating to disclosure item (Q)(2).

9. Financial Code section 50141 provides in pertinent part:

(a) The commissioner shall deny an application for a mortgage loan originator license unless the commissioner makes at a minimum the following findings:

(3) The applicant has demonstrated such financial responsibility, character, and general fitness as to command the confidence of the community and to warrant a determination that the mortgage loan

1           originator will operate honestly, fairly, and efficiently within the  
2           purposes of this division.

3           (b) Before denying a license under this section, the commissioner shall  
4           proceed as prescribed by Chapter 5 (commencing with *Section 11500*)  
5           of *Part 1 of Division 3 of Title 2 of the Government Code* and shall  
6           have all the powers granted under that chapter.

7           10.     The Commissioner finds that Varley does not meet at least one of the minimum  
8           requirements for the issuance of a mortgage loan originator license as provided by Financial Code  
9           section 50141. Varley's role in a fraudulent plan or scheme to use deceit and misrepresentation to  
10          induce mortgage lenders to make mortgage loans to finance purchases of residential real property  
11          with the intent to substantially benefit themselves and without disclosing their true intentions to the  
12          mortgage lenders belie the requirement under Financial Code section 50141, subdivision (a)(3), that  
13          the applicant "has demonstrated such financial responsibility, character, and general fitness as to  
14          command the confidence of the community and to warrant a determination that the mortgage loan  
15          originator will operate honestly, fairly, and efficiently within the purposes of this division."

16          11.     On April 6, 2018, the Commissioner issued a Notice of Intent to Deny Application for  
17          Mortgage Loan Originator License, Statement of Issues, and accompanying documents (Notice of  
18          Intent to Deny) based on the above findings. On or around April 6, 2018, the Commissioner served  
19          Varley with the Notice of Intent to Deny at her address of record. Varley did not file a request for  
20          hearing and the time to do so has expired.

21          Based on the foregoing findings, pursuant to Financial Code section 50141, it is hereby  
22          ordered that the application filed by Karen J. Varley aka Karen Jannette Roady for a mortgage loan  
23          originator license is denied. This order is effective as of the date hereof.

24          Dated: May 14, 2018

25          Los Angeles, California

26                   JAN LYNN OWEN

27                   Commissioner of Business Oversight

28                   By: \_\_\_\_\_

                  MARY ANN SMITH

                  Deputy Commissioner